	Classical	**Keynesian**	**Monetarist**
Basic summary	Free market, the more open the better. In the long run (may take a very long time) aggregate supply will **ALWAYS** correct and come back to equilibrium.	Somewhat free market, but the economy is NOT always self-correcting. (GREAT DEPRESSION) Therefore, some government interaction will be necessary.	Similar to classical, they believe in free market. The major difference is for the monetarist, short term problems can be corrected by managing the money supply, NOT with government! Monetarists believe in moving demand rather than supply as the classical suggests.
PRICES	Flexible in either direction	Sticky, eventually the price level will balance out for a period of time, resulting in a *horizontal supply line.*	Flexible, but not as flexible as classical.
WAGES	Flexible in any direction, wages can change as old contracts expire. REAL wages more important than NOMINAL!	Sticky in an upwards direction, VERY sticky in a downwards direction (nearly impossible)	No direct stance since they insist on targeting aggregate demand. Lean more toward flexible.
AGGREGATE DEMAND STABILITY	AD is fairly stable, changes in the economy are typically a result of short run supply shifts	AD is extremely unstable, changes in the economy occur because demand changes frequently	AD is fairly unstable and susceptible to changes in the money supply
BEST WAY TO CORRECT AN ECONOMY	Leave it alone, allow wages and *savings patterns* to adjust and **supply** will come back to long run	The government should implement a fiscal policy to move demand	The Fed should implement a monetary policy to move demand…possibly long run changes to supply by changing interest rates
PROBLEMS & CRITICISMS	- No "set" time for changes to occur - No way to correct a stagnant economy that refuses to move (How long do you wait?)	- Government policy can take a long time to enact, but goes in effect quickly - CROWDING OUT: Government spending may cause the interest rate to rise resulting in lower Investment.	- Relies on many assumptions (people will save in banks, people will spend and save in predictable patterns…) so no direct effect on aggregate demand - takes time to actually go into effect, but can be decided quickly